

AgriTalk

June 12, 2012

Mike Adams with Secretary of Agriculture Tom Vilsack

Note: This is an **Unofficial** transcript of **excerpts** from Tuesday's (6.12.12) *AgriTalk* program.



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Mr. Mike Adams: Just talking about the farm bill and the debate going on over crop insurance and food stamps and all these issues. What are your thoughts on the process and what you're seeing and hearing right now?

Secretary Tom Vilsack: Well, Mike, first of all, good morning, and it's good to be with you. You know, I'm still very optimistic about all this. I think the Senate Ag Committee, in a bipartisan way, put together a strong start to this process, and I'm hopeful that the Senate will be able to get some resolution in terms of the number of amendments and the types of amendments that can be considered germane to this bill and get it through the Senate in short order.

And if that happens, then I'm very confident that Chairman Lucas and Representative Peterson, on the House side, will get their work done to the House Ag Committee and then get on the House floor, and eventually, as you indicated, there will obviously be a different version. Then they'll get into conference and get it worked out.

Here's the reason why this is important. I mean, it's obvious, but we have just tremendous momentum building in rural America. Very strong farm income, strong exports. We just put out a report yesterday, the White House, the Rural Council, that focuses on the strength of the rural economy. You know, not only are we seeing good farm income, but we're also seeing farm machinery shipments at record levels. We're seeing food product manufacturing at record levels. We're seeing ag chemical production at near record levels.

We obviously want to continue that momentum because it's helping to bolster the national economy, and we would not want that momentum to be stalled by inaction by Congress.

Mr. Adams: What are your thoughts on the nutrition programs and crop insurance? I mean, those are two key areas. Some are still calling for cuts in both, quite frankly, while others are saying no, we can't be cutting nutrition programs. How do you stand on those two?

Sec. Vilsack: Well, I think it's important. I take a little, a slightly different view on the nutrition programs than some people do, Mike, and the reason I do is that I understand that 14 cents out of every food dollar that's spent in a grocery store goes into a farmer's pocket. And so when you basically look at limiting nutrition assistance, you're also looking at limiting farm income.

The House budget process has suggested a cut as deep as \$130 billion, which would be roughly a \$20 billion cut over the next ten years to farm income. That's obviously something that I don't think anyone really can support. And I think it's important to recognize that that nutrition program is part of the overall safety net for farmers. It helps to stabilize markets, it helps to create markets. So as people begin to think about that, I think they'll see that deep cuts in nutrition are probably not going to be something that would be acceptable to the Senate or to the president.

On the crop insurance, I think everybody understands and appreciates that crop insurance is the key risk management tool that is sort of the lynchpin of the safety net. While we all may disagree about what the proper rate of return may be for that program to be sustainable, I think everybody understands the importance of crop insurance, so at the end of the day I would expect that whatever gets passed by both chambers and signed by the president is going to have a very good, strong, solid commitment to crop insurance.

Mr. Adams: Do you think, though, that the federal support of it, the subsidy part of it from the federal government, needs to be reduced more?

Sec. Vilsack: Well, I think if you look at the component parts of it, you look at what return on investment is necessary for crop insurance companies to be profitable and to make a go of it, we've calculated somewhere in the neighborhood of 12% return on investment would be sufficient. Right now these companies are recognizing somewhere between a 14 and 17% return, so there may be some adjustments that could be made there without jeopardizing or compromising the important role that crop insurance plays.

I think you can also take a look at the insurance agents. They do a good job servicing these policies, but it's not quite as difficult selling them as it was maybe 15 years ago, because 15 years ago you were selling a new product, you were giving somebody a new concept to think about.

Today it's a very accepted part of financing. It's required by many banks as a condition of lending, so it may be just a slightly bit easier. And so the question is, is \$900 or \$1,000 a policy, which is basically what the agents receive, on average, is

that adequate? Can that be adjusted or shaved in some way? So, I mean, I think there's still some flexibility there.

But the key here is to make sure that whatever we do, we do it in a way that ensures that the crop insurance program continues, and continues as a partnership between the federal government, the producers, and the insurance companies.

Mr. Mike Adams: And real quick, just a minute or so left, just your thoughts – I want to go back to food stamps for a moment, because there are still critics saying that there's not enough being done to close loopholes and make sure people aren't cheating the system or that there isn't fraud being conducted. How do you respond to that? I know you've talked a lot about this in recent weeks.

Secretary Tom Vilsack: Mike, we did nearly 800,000 investigations last year, which is one of the reasons why the fraud rate in the SNAP program, the food stamp program, is less than 1%. It's an historic low. Our error rate is 3.4, 3.5%, an historic low. We're obviously going to continue to work hard on this to get it down to zero.

I would say it's interesting that we don't hear as much of the same talk about the crop insurance area, where we had about an 8% error rate, so we obviously have work to do in crop insurance as well. So we're always looking for greater efficiency, greater integrity. We've just announced a set of rules to tighten it up against convenience stores and operators that are taking advantage of the system. We're going to continue to focus on that.

Mr. Adams: All right, Mr. Secretary, as always, we thank you for your time and we'll talk again soon, hopefully.

Sec. Vilsack: All right, Mike, thanks very much.

Mr. Adams: The Secretary of Agriculture, Tom Vilsack.